

**MOSSYROCK SCHOOL DISTRICT No. 206**  
**Lewis County, Washington**  
**September 1, 1991 Through August 31, 1994**

---

**Schedule Of Federal Findings**

---

1. Payroll Charges to Federal Programs Should Be Supported By Time and Attendance Records

Mossyrock School District did not have an acceptable system for recording employee time and attendance spent on the federal Chapter 1 program (CFDA 84.010)

U.S. Office of Management and Budget (OMB) Circular A-87, Cost Principles, and the "Common Rule" for *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, establish standards for documentation and allowability of costs chargeable to federal grant programs. Among the standards are:

- a. Amounts charged to grant programs for personal services will be based on payrolls supported by time and attendance or equivalent records for individual employees (OMB Circular A-87).
- b. Grantee financial management systems shall provide for records that identify adequately the source and application of funds for grant supported activities (Common Rule).

In the absence of a system that meets federal standards, salary and benefits charged to federal programs are not properly supported.

Chapter 1 program management was under the mistaken impression that time and attendance records were not required if its employees were assigned to only one federally funded or sole cost objective program.

We recommend the district, specifically Chapter 1 program administrators, implement a time and attendance reporting system, including written procedures, that complies with OMB circular A-87 and the "Common Rule" for all federal programs that are charged through payroll.

2. Only Allowable Costs Should Be Charged To Federal Programs

The following unallowable cost was charged by the district to its Chapter 1 program:

- a. Entertainment costs totaling \$108 were charged to the Chapter 1 program (CFDA 84.010) for a year end HOSTS student skating party.

The U.S. Office of Management and Budget (OMB) Circular A-87, *Cost Principles*, establish standards for allowability of costs chargeable to federal grant programs. Among the standards are:

- A. Costs of amusements, social activities, and incidental costs relating thereto, such as meals, beverages, lodgings, rentals, transportation, and gratuities, are unallowable (OMB Circular A-87).

The Chapter 1 program administrator indicated that she was unaware that this was an unallowable cost under federal guidelines.

We recommend the district:

- a. Return \$108 to the grantor for ineligible costs claimed.
- b. Review claims for reimbursement to prevent unallowable costs from being reimbursed.